



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
SHELBY COUNTY CLERK**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SHELBY COUNTY CLERK

Calendar Year 2000

The Auditor of Public Accounts has completed the Shelby County Clerk's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Fee account balances increased by \$13,705 from the prior calendar year, resulting in a cash surplus of \$260,578 as of December 31, 2000. Revenues increased by \$345,446 from the prior year and disbursements increased by \$331,541.

Grant:

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$23,398 during the year ended December 31, 1998. The January 1, 2000 balance was \$18,302. There were no funds expended during calendar year 2000 and \$443 was earned as interest. The unexpended grant balance is \$18,745 as of December 31, 2000.

Deposits:

The Clerk's deposits were uninsured and uncollateralized by \$34,005 as of April 10, 2000.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Bobby Stratton, Shelby County Judge/Executive
Honorable Sue Carole Perry, Shelby County Clerk
Members of the Shelby County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Shelby County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
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In accordance with Government Auditing Standards, we have also issued a report dated September 11, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 11, 2001

SHELBY COUNTY
SUE CAROLE PERRY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Fees For Services	\$	12,414
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Fiscal Court		7,822
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	755,635
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Usage Tax		3,514,964
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Tangible Personal Property Tax		2,181,930
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Child Victim Fund Donations		99
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Licenses-

Marriage		9,108
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Deed Transfer Tax		178,532
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Delinquent Tax	324,981	6,965,249
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	28,857
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Real Estate Mortgages		70,304
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Chattel Mortgages and Financing Statements		89,448
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Wills and Estates		1,160
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Releases		27,231
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Liens		3,763
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Motor Vehicle Notary Fees		7,150
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Motor Vehicle Lien Release Fees		7,857
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Powers of Attorney		2,014
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All Other Recordings		14,813
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Charges for Other Services-

Candidate Filing Fees		610
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Copywork	3,815	257,022
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Other:

Refunds and Overpayments		6,556
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SHELBY COUNTY
 SUE CAROLE PERRY, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Receipts (Continued)

Interest Earned	\$ 8,640
Gross Receipts	\$ 7,257,703

Disbursements

Payments to State:

Motor Vehicle-		
Licenses and Transfers	\$ 574,730	
Usage Tax	3,401,918	
Tangible Personal Property Tax	865,426	
Licenses-		
Delinquent Tax	40,572	
Legal Process Tax	33,491	
Candidate Filing Fees	240	\$ 4,916,377

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 247,265	
Delinquent Tax	30,067	
Deed Transfer Tax	169,605	446,937

Payments to Other Districts:

Tangible Personal Property Tax	\$ 980,716	
Delinquent Tax	173,105	1,153,821

Payments to Sheriff 5,432

Payments to County Attorney 50,937

Operating Disbursements and Capital Outlay:

Personnel Services-		
Deputies Salaries	\$ 216,188	
Employee Benefits-		
Employer's Paid Health Insurance	23,650	
Contracted Services-		
Software Service Agreement	11,580	
Hardware Service Agreement	13,380	
Employee Training Program	1,346	

SHELBY COUNTY
SUE CAROLE PERRY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay:
(Continued)

Materials and Supplies-			
Office Supplies	\$	1,518	
Microfilming and Repairs		9,425	
Other Charges-			
Conventions and Travel		3,130	
Dues		51	
Postage		8,194	
Refunds		39,938	
Capital Outlay-			
Office Equipment		10,771	
Voting Machines		15,914	
		<u>15,914</u>	<u>\$ 355,085</u>
Total Disbursements			<u>\$ 6,928,589</u>
Net Receipts			\$ 329,114
Less: Statutory Maximum	\$	63,542	
Training Incentive Payment		<u>1,394</u>	<u>64,936</u>
Excess Fees			\$ 264,178
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 2000			\$ 260,578
Payment to County Treasurer - February 9, 2001			<u>260,578</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

SHELBY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

SHELBY COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2000
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 10, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$34,005 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official at year-end or as of April 10, 2000.

	<u>Bank Balance</u>
Insured and collateralized with securities held by pledging depository institution in the county official's name	\$ 610,227
Uncollateralized and uninsured	<u>34,005</u>
Total	<u><u>\$ 644,232</u></u>

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$23,398 during the year ended December 31, 1998. The January 1, 2000 balance was \$18,302. There were no funds expended during calendar year 2000 and \$443 was earned as interest. The unexpended grant balance is \$18,745 as of December 31, 2000.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Shelby County Clerk for the year ended December 31, 2000, and have issued our report thereon dated September 11, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Shelby County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Shelby County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 11, 2001

